



**Testimony for the Labor and Public Employees Committee
HB 6145: An Act Concerning
Expansion of the Individual Development Account Program
February 19, 2013**

My name is Edith Pollock Karsky and I am the Executive Director of the Connecticut Association for Community Action (CAFA). I could not be here today, but wanted to take this opportunity to comment on the proposal to strengthen and expand the eligibility for the Individual Development Account (IDA) program, as well as create greater opportunities for low-income families to utilize this program. We think this proposal—which contains specific changes to the IDA program that our network has long been advocating for—will greatly benefit low-income families in the state, especially those families served by Connecticut's Community Action Agencies (CAAs).

By way of background, the Connecticut Association for Community Action (CAFA) is the voice of Connecticut's Community Action Agencies. These are the local agencies designated by the federal and state governments as partners in helping people work their way out of poverty. Our network serves all 169 cities and towns utilizing a Results Based Accountability framework to report our outcomes. We collaborate across silos with state government to help families avoid financial crisis, and empower people with job training, energy assistance, child care, and other vital supports to regain their financial footing if they do experience poverty. We administer economic empowerment programs to more than 300,000 people annually, empowering families and strengthening communities in each and every part of the state.

Our member CAAs offer financial education to low-income families, and the IDA program is an essential service in this regard. By providing the means for families to achieve economic self-sufficiency through helping them develop a self-sufficiency plan, build towards their savings, familiarize them with financial institutions, as well as provide education and training on building assets, the IDA program has helped countless low-income families realize their goal of becoming economically self-sufficient. As a result, these families are better able to manage their money, learn how to buy a house, start a business, go to college, or simply open a savings account.

Although the IDA program has been widely successful in helping families in this regard, there are two proposed changes to the program in this bill that our community action network strongly supports: eliminating the \$1,000 allowable maximum yearly match and allowing participants to purchase an asset, and then continue to save and purchase a second asset, as long as they don't exceed the maximum allowable match of \$3,000. First, the \$1,000 maximum yearly match is not only unnecessary but logistically difficult to administer, and causes additional administrative burdens for program operators. If this requirement were eliminated as proposed in this bill, there are sufficient additional safeguards in place to ensure the integrity of the IDA program; specifically, that participants will save over a sufficient period of time to develop positive savings habits and existing regulations to ensure that financial education and asset-specific training are completed before an

asset purchase. Second, allowing program participants to purchase an asset and then continue to save and purchase a second asset, as long as they do not exceed the maximum allowable match of \$3,000, would benefit our IDA participants. One example of this would be if a participant uses their IDA savings and match for a class at their community college, and then continues to save and uses the remainder of their savings and allowable match to open a 529 account for their child's education.

As Connecticut continues to struggle to recover from the Great Recession that has plagued the citizens of our state for more than four years, now more than ever families need to be smart about their money. Financial education programs like the IDA program provide an avenue for families at or near poverty to not only find their way out, but contribute to our state's economic growth and contribute to improving our neighborhoods and communities. In addition, the specific changes discussed would strengthen the IDA program as a whole for both administrators and participants.

Over the past decade, we have worked closely with the CT Department of Labor to implement successful IDA programs in almost every community in the state. We look forward to continuing to work with the administration and with you to further strengthen this important program and reach even more customers. We share the goal of empowering every family to reach economic self-sufficiency through the utilization of financial education and the IDA program. Connecticut's Community Action Agencies are a vital part of realizing this goal for Connecticut's families and economic future, and such an integral program should be strengthened and expanded so more families can take advantage of all it has to offer. We are pleased to join this important conversation, and we thank you for your consideration.